

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20036

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )

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) Amendment of Parts 2 and 90 of the  
) Commission's Rules to Provide for the Use of  
) 200 Channels Outside the Designated Filing  
) Areas in the 896-901 MHz and the  
) 935-940 MHz Bands Allotted to the  
) Specialized Mobile Radio Pool  
)

PR Docket No. 89-553

)  
) Implementation of Section 309(j) of the  
) Communications Act - Competitive Bidding  
)

PP Docket No. 93-253

)  
) Implementation of Sections 3(n) and 322 of  
) the Communications Act  
)

GN Docket No. 93-252

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To: The Commission

**COMMENTS OF CELSMER**

CelSMer, by its attorneys, hereby submits comments respecting the notice of proposed rule making portion of the Second Report and Order and Second Further Notice of Proposed Rule Making, FCC 95-159, released April 17, 1995 ("Second Report and Order and Further Notice"). Except for those proposals upon which CelSMer is commenting herein, CelSMer generally supports the proposals set forth in the notice portion of the Second Report and Order and Further Notice.

CelSMer is a general partnership in the business of managing and operating specialized mobile radio ("SMR") stations in the State of Florida and has developed a wide-area 900 MHz SMR system serving central Florida in major trading area ("MTA") M13 (Tampa-St.Petersburg-Orlando). Through the employment of new channel integration

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technology, CelSMeR has been able to develop a virtually seamless network providing contiguous ~~service~~ across central Florida from the Gulf Coast to the Atlantic Coast. CelSMeR is now focusing its attention on the integration of new digital technology into its wide-area system. CelSMeR is one of the few 900 MHz incumbents that has actually constructed and is operating a wide-area system. CelSMeR is attempting to develop its wide-area system on an MTA basis and, to that end, CelSMeR intends to bid at auction on the 900 MHz SMR spectrum allocated to MTA M13.

### **I. BIDDING CREDIT**

CelSMeR supports the Commission's proposal to provide a bidding credit to small businesses, including women-owned and minority-owned small businesses, on all channel blocks in each MTA<sup>1</sup>. However, CelSMeR submits that a 10 percent bidding credit is too low given the potentially high initial capital requirements for the construction and operation of MTA-wide SMR systems. *See* discussion at pages 3-5 *infra*. Additionally, CelSMeR does not believe that the existence of incumbent licensees in the MTAs will significantly reduce the value of the licenses to be auctioned off by the Commission, especially given the fact that, like CelSMeR, many if not most of the incumbent licensees will have to bid at auction for additional licenses if they want to expand their current 900 MHz SMR systems. Additionally, in recent years larger companies such as Nextel, Motorola, RAM Mobile Data USA Limited Partnership and Geotek Communications, Inc. have entered the 900 MHz

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<sup>1</sup> For the reasons stated in the Second Report and Order and Further Notice at ¶130, CelSMeR concurs with the Commission that limiting bidding credits to certain channel blocks is unwarranted.

service and are attempting to develop nationwide, regional and wide-area systems and will be competing for 900 MHz licenses in the MTAs. Thus, while the 900 MHz licenses may not be valued as highly as the recently auctioned PCS licenses, competition for licenses could be significant for most MTAs and license acquisition at auction may be more costly than anticipated.

In light of the fact that small businesses historically have had limited access to capital, and given the proposal not to have spectrum set-aside for 900 MHz, small businesses will need a significant enough advantage to ensure their ability to compete successfully for 900 MHz licenses in the MTAs. A higher bidding credit, *i.e.*, 20 percent, will provide them with that significant advantage. The Commission found this to be the case with the regional narrowband PCS licenses auction. See Third Memorandum Opinion and Order and Further Notice of Proposed Rule Making, FCC 94-219 (PP Docket No. 93-253), released August 17, 1994 at ¶¶44, 58 & 87 (Commission found that in the absence of entrepreneurs' blocks, a higher bidding credit of 40 percent was required to overcome the disadvantages to designated entities).

## **II. DOWN PAYMENTS AND INSTALLMENT PAYMENTS**

CelSMeR also supports the Commission's proposals to adopt an installment payment option for small businesses that are winning bidders in the 900 MHz auction and to permit these small businesses to pay a reduced down payment five days after the auction closes, with the remainder due five days after Public Notice of grant of the licenses. See Second Report and Order and Further Notice at ¶¶133-134. CelSMeR agrees with the Commission that installment payments and reduced down payments will reduce the amount of private

financing needed by prospective small business licensees. Such options are also warranted in light of the ~~potentially~~ high capital requirements for construction and operation of MTA-wide 900 MHz SMR systems.

Based on an analysis of the equipment and construction costs of individual 900 MHz facilities comprising CelSMer's wide-area system, CelSMer estimates that, on average, equipment and construction costs for a single 900 MHz SMR ten-channel facility run between \$150,000 and \$200,000. If the facility is constructed with digital technology, the cost will at least double. Monthly operating costs for such a facility can run, on average, from \$4,500 to \$5,000.<sup>2</sup>

Assuming CelSMer were a winning bidder in the auction for MTA M13, CelSMer estimates that to achieve coverage of at least two-thirds of the population of MTA M13, it would have to construct a minimum of nine additional locations, *i.e.*, in addition to the 9 locations already comprising CelSMer's wide-area system. If CelSMer wanted to geographically cover the MTA, it would have to construct a minimum of 16 additional locations. Thus, CelSMer's initial capital requirements to construct an MTA-wide system would be between \$1,350,000 and \$2,250,000 for nine additional locations or between \$2,400,000 and \$4,000,000 for 16 additional locations. (These figures are conservative, for they assume only ten channels per location.) Additionally, CelSMer's monthly operating expenses would increase by \$40,500 to \$45,000 for 9 additional facilities or by \$72,000 to \$80,000 for 16 additional facilities.

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<sup>2</sup> This estimate is based on the average monthly operating costs over the past six months for the facilities in CelSMer's wide-area system.

Such initial capital requirements for construction and operation of an MTA-wide 900 MHz SMR system support the application of such proposals as a bidding credit, installment payments and reduced down payments. While small businesses, including incumbent licenses such as CelSMER, may have adequate capital to meet construction and operation requirements, they do not have adequate capital for both license acquisition and construction of new facilities and would have to greatly increase their reliance on private financing to meet both needs. The payment options for small businesses proposed in the Second Report and Order and Further Notice would go a long way toward easing this financial dichotomy facing small businesses in the 900 MHz service and will serve to reduce their need for and reliance on private financing.

### **III. NO ENHANCEMENTS FOR WOMEN/MINORITY SMALL BUSINESSES**

CelSMER also supports the Commission's proposal not to provide enhancements for small businesses owned by women or minorities. Entrance into the 900 MHz service is not as cost prohibitive as other radio services such as cellular or PCS and, therefore, additional enhancements for these designated entities are not warranted. Moreover, lowering the gross revenue threshold for small businesses to \$3 million, combined with the other payment options proposed for small businesses, will provide adequate incentive for women/minority small businesses to participated in the 900 MHz service. Indeed, this lower gross revenue threshold will adequately reduce the pool of small businesses eligible for bidding credits,

installment payments and reduced down payments, thereby increasing the opportunities for women-owned and minority-owned small businesses to acquire 900 MHz licenses at auction.

Respectfully submitted,

**CELSMER**

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May 24, 1995

By:   
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